



Q1 2020: Ireland Commercial Property Monitor

Covid-19 outbreak shifts commercial market into downturn

The Q1 2020 Ireland Commercial Property Monitor results unsurprisingly point to a material weakening in market sentiment following the Covid-19 outbreak and associated social distancing measures.

The Occupier Sentiment Index fell to -31 (from +3 in Q4), representing the poorest return since 2011. Looking into the details, tenant demand reportedly fell in both the retail and office sectors during Q1 as a whole, although a flatter trend was reported for industrials. It is important to note however that lockdown measures were imposed in the middle of the survey collection period.

For the coming twelve months, rental growth projections were cut dramatically across all areas of the market. The retail sector is expected to be worst hit, with expectations signalling a -13% fall in rents across secondary locations while projections stand at -10% for prime. For the office sector, prime rents are seen falling by -5% and by around -8% for secondary. Meanwhile, projections across

the industrial sector are not quite as downbeat, albeit rents are still envisaged falling by -5.5% and -2% for secondary and prime space respectively.

The Investment Sentiment Index also dropped to a near 8-year low at -27, following a figure of +7 previously. Overall investment enquiries dipped in all sectors, as did investor demand for international buyers.

Twelve-month capital value expectations were downgraded sharply relative to Q4, with all categories covered by the survey now displaying negative projections to a greater or lesser degree. Again, the retail and office sectors are seen posting sharp declines while expectations are slightly less downbeat for industrials.

64% of respondents now feel the market has entered a downturn, up from 32% taking this view in the Q4 results.

Chart 1: RICS OSI and ISI

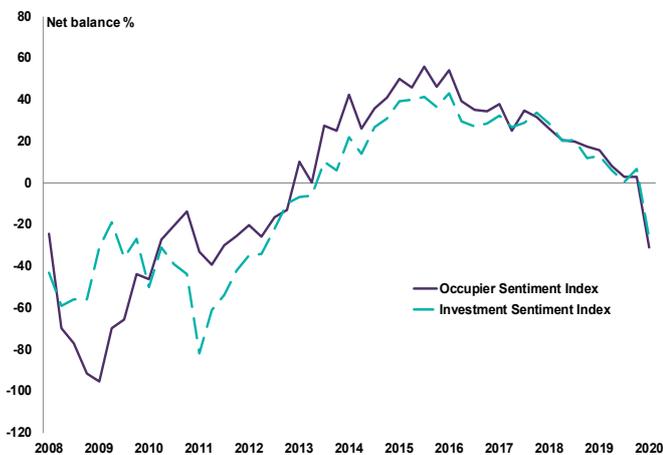


Chart 2: Property cycle

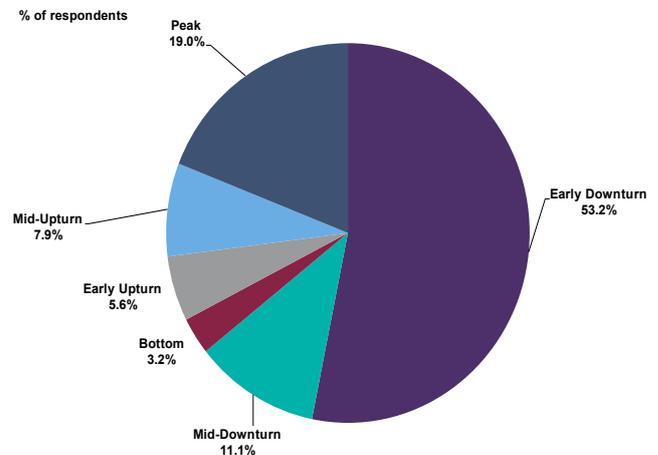


Chart 3: Occupier Market

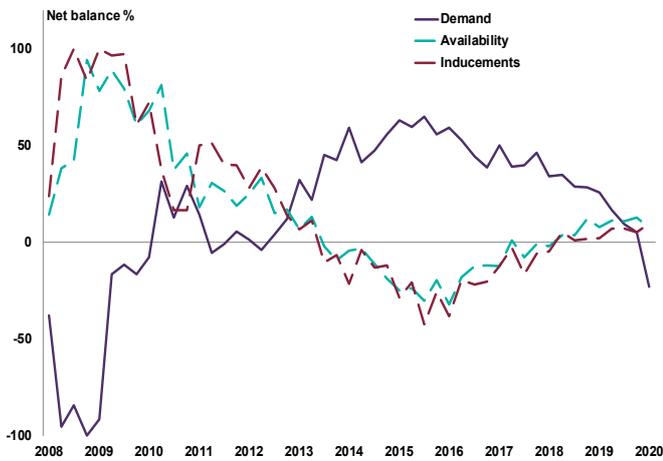


Chart 4: Investment Market

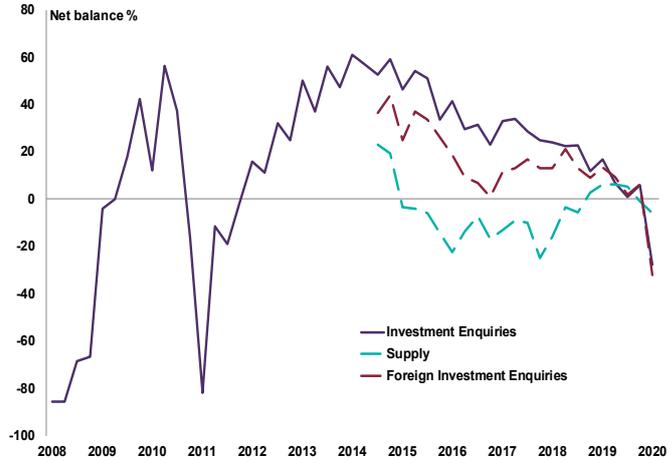


Chart 5: Credit Conditions

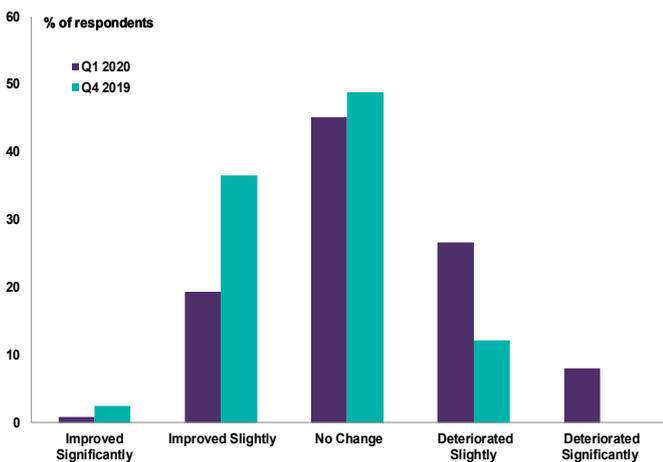


Chart 6: Valuations

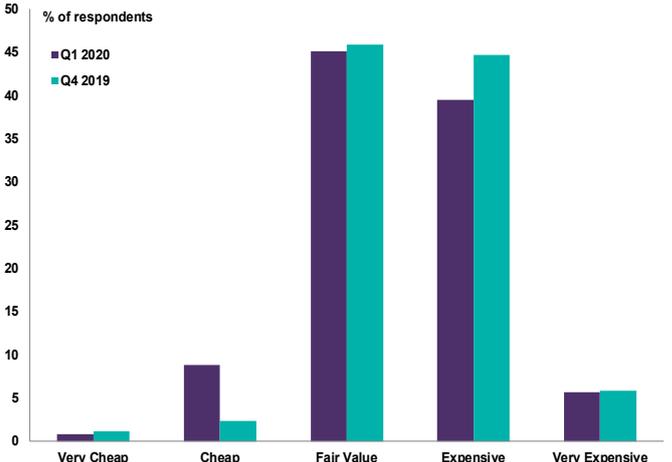


Chart 7: Twelve Month Capital Value Projections

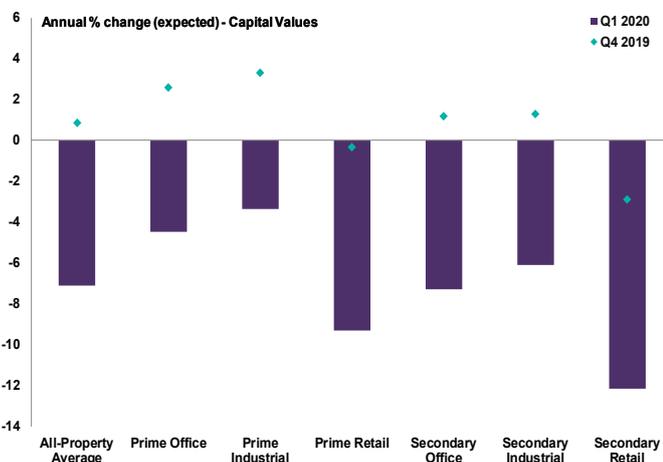


Chart 8: Twelve Month Rental Value Projections



Information

Global Commercial Property Monitor

RICS' Global Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

Methodology

Survey questionnaires were sent out on 11 March 2020 with responses received until 13 April 2020. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 2604 company responses were received, with 592 from the UK. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland. Responses for Spain and Portugal were collated in conjunction with Iberian Property. Responses for New Zealand were collated in conjunction with Property Council New Zealand.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline. The RICS Occupier Sentiment Index (OSI) is constructed by taking an unweighted average of readings for three series relating to the occupier market measured on a net balance basis; occupier demand, the level of inducements and rent expectations. The RICS Investment Sentiment Index (ISI) is constructed by taking an unweighted average of readings for three series relating to the investment market measured on a net balance basis; investment enquiries, capital value expectations and the supply of properties for sale.

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

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